

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7979]
October 29, 1976

REGULATION Y

Automobile Leasing Activities by Bank Holding Companies

To All Bank Holding Companies, and Others Concerned,
in the Second Federal Reserve District:

Following is the text of a statement issued October 13 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today announced it will continue to allow automobile leasing to be an activity permissible to bank holding companies under the conditions of its existing personal property leasing regulation.

The announcement follows public notice on November 11, 1975 of a request for comment on the question of whether automobile leasing should continue to be a permissible activity for bank holding companies and, if so, under what conditions and limitations. The Board also held a public hearing on the question last March 23.

These actions were taken after the National Automobile Dealers Association sought judicial review of the Board's leasing regulation insofar as it permitted bank holding companies to engage in auto leasing. The case was remanded to the Board for further study.

Automobile leasing has been a permissible activity since April 17, 1974 when the Board permitted bank holding companies to engage in the general activity of leasing real or personal property under certain conditions.

On the basis of the record before it, the Board concluded that automobile leasing by bank holding companies is essentially financial rather than commercial, is the equivalent to a bank's lending functions, does not cause unfair competition and is not contrary to the provisions of the Consumer Leasing Act of 1976.

The Board also added a footnote to the regulation providing a more specific definition of the requirement that a lease may only be made by a bank holding company on a nonoperating basis. The definition specifies, among other things, that for the purposes of automobile leasing "... the bank holding company may not, directly or indirectly, provide for the servicing, repair or maintenance of the leased vehicle (or) provide for the loan of an automobile during servicing of the leased vehicle; purchase insurance for the lessee . . ."

Enclosed is a copy of the amendment to Regulation Y. The text of the Board of Governors' Order in this matter appears in the *Federal Register* of October 19, 1976; copies of the *Federal Register* excerpt will be made available by our Domestic Banking Applications Department upon request.

PAUL A. VOLCKER,
President.

Board of Governors of the Federal Reserve System

BANK HOLDING COMPANIES

AMENDMENT TO REGULATION Y

Effective October 13, 1976, Regulation Y is amended as follows:

1. At the end of § 225.4(a)(6)(a)(iii), a new footnote 4 is added, to read as follows:

SECTION 225.4—NONBANKING
ACTIVITIES

(a) Activities closely related to banking or managing or controlling banks.

* * *

(6)(a) Leasing personal property or acting as agent, broker or adviser in leasing such property provided:

* * *

(iii) the lease is on a nonoperating basis;⁴

* * *

⁴ For purposes of the leasing of automobiles, the requirement that the lease be on a nonoperating basis means that the bank holding company may not, directly or indirectly, provide for the servicing, repair or maintenance of the leased vehicle during the lease term; purchase parts and accessories in bulk or for an individual vehicle after the lessee has taken delivery of the vehicle; provide for the loan of an automobile during servicing of the leased vehicle; purchase insurance for the lessee; or provide for the renewal of the vehicle's license merely as a service to the lessee where the lessee could renew the license without authorization from the lessor.

2. As an incident to this amendment, footnotes 4 to 12 are redesignated 5 to 13.

For this Regulation to be complete, retain:

- 1) Printed Regulation Y pamphlet, as amended effective June 24, 1974.
- 2) Corrective amendments effective June 24, 1974.
- 3) Amendments effective December 1, 1975 and May 15, 1976.
- 4) This slip sheet.